



Pre-Existing Condition Insurance Plan FAQs, 7/01/10

What is the Pre-Existing Condition Insurance Plan?

The Pre-Existing Condition Insurance Plan, which will be administered either by a State or by the Department of Health and Human Services, will provide a new health coverage option for Americans who have been uninsured for at least six months, have been unable to get health coverage because of a health condition, and are a U.S. citizen or are residing in the United States legally. These individuals will be offered insurance with the same benefits and premiums as healthy people in their States.

The Affordable Care Act provides \$5 billion in Federal funding to support Pre-Existing Condition Insurance Plans in every State. Twenty-one States have requested that the U.S. Department of Health and Human Services run their Pre-Existing Condition Insurance Plan. Twenty-nine States plus the District of Columbia will run the program themselves. For more information about how the plan is being administered where you live, please visit HHS's new consumer website, www.HealthCare.gov.

Created under the Affordable Care Act, the Pre-Existing Condition Insurance Plan is a transitional program until 2014, when insurers will be banned from discriminating against adults with pre-existing conditions, and individuals and small businesses will have access to more affordable private insurance choices through new competitive Exchanges. In 2014, Members of Congress will also purchase their insurance through Exchanges.

What is being announced today?

We are announcing the launch of the Pre-Existing Condition Insurance Plan (PCIP) operated by the Department of Health and Human Services in 21 States and the availability of funds for the 29 States plus DC operating their own PCIP. The Affordable Care Act provides \$5 billion for the PCIP program between now and 2014. Funding for each State is based on the same allocation formula as the successful Children's Health Insurance Program (CHIP). Unlike CHIP, there is no State matching requirement and the Federal government will cover the entire cost of the Pre-Existing Condition Plan.

The goal of the Pre-Existing Condition Insurance Plan is to make health coverage available to people who are uninsured because of a pre-existing condition at the same rate as healthy individuals. PCIP is a bridge program to provide people who are uninsured and at risk with access to the same coverage as healthy individuals in their State between now and 2014. In 2014, insurers will no longer be able to discriminate based on preexisting conditions, and individuals and small businesses will have access to more affordable private insurance choices through new competitive Exchanges. In 2014, Members of Congress will also purchase their insurance through Exchanges.

The Pre-Existing Condition Insurance Plan is funded entirely by the Federal government and enrollee premiums. States that opt to run the program bear no fiscal liability for it, and mechanisms are built in to adjust the program to ensure that the funds are allocated to where they will best be put to use.

What does the Pre-Existing Condition Insurance Plan mean for people with pre-existing conditions?

People who have been denied care or charged more because of a pre-existing condition – such as breast cancer, diabetes, high blood pressure, high cholesterol, etc. – will now have another chance for more affordable coverage, where they never had one before. Eligible individuals will now be offered the same type of coverage and premiums as healthy individuals in their State.

For individuals in the 21 States relying on HHS to run the Pre-Existing Condition Insurance Plan, applications are available on July 1st at HealthCare.gov. Individuals enrolled in this plan by July 15th will begin receiving coverage by August 1, 2010.

Individuals in the 29 States and the District of Columbia can apply according to the date the program becomes available in each State. The date will vary depending upon the size and needs of each State, but we expect every State to begin enrollment by the end of August. For information on each State, please visit HealthCare.gov.

Why are these plans important?

The Pre-Existing Condition Insurance Plans are important because many Americans are uninsured today solely due to their need for health insurance. Their pre-existing condition has caused them to be denied coverage for the services they need (e.g., no chemotherapy for a person with cancer) or denied coverage altogether. Even in States where insurers are required to offer coverage to people with pre-existing conditions, insurers have found ways to charge high and often unaffordable premium based on enrollees' health risk or need. This program gives Americans who want to buy health insurance but are blocked from doing so by their pre-existing condition a new, affordable option.

Who is eligible?

Regardless of whether the Plan is run by the Federal government or by a State, to enroll in the program, individuals must:

1. Be a citizen or national of the United States or lawfully present in the United States.
2. Have been uninsured for at least the last six months.
3. Have had a problem getting insurance due to a pre-existing condition.

How does someone prove they have a pre-existing condition?

Applicants in most States will need a recent copy of a denial letter from a private insurance company. The letter must show either complete denial of individual coverage because of a pre-existing condition or coverage offered but with certain benefits denied (for example, by a rider to an insurance policy) because of the pre-existing condition. If a State has a so-called “guarantee issue” law – a law requiring insurers to insure people regardless of health status – then in order to be eligible for coverage in the program, an applicant must have received a premium quote substantially exceeding the PCIP premium.

Some States also offer eligibility to people who have a pre-existing condition listed on a State “condition list.” This typically is a list of conditions or diseases and States often require you to have a letter from a doctor stating that you have this disease. Check www.HealthCare.gov to find out the exact requirements for each State.

What’s the difference between a PCIP run by HHS and a PCIP run by a State?

The end result is the same – individuals who have been locked out of the insurance market through denials or astronomical rates can buy coverage at the same rates and with the same benefits as healthy individuals in their State. Where States have chosen to run the program themselves, it is often because they have experience running “high-risk pools” or similar programs and understand the needs of their State.

The U.S. Department of Health and Human Services (HHS), with the help of the Office of Personnel Management and the National Finance Center, will run the Pre-Existing Condition Insurance Plan in 22 States. The Federal government is contracting with the Government Employees Health Association – a non-profit private insurer who has provided insurance for more than 50 years through the Federal Employees Health Benefits Program – to administer benefits on behalf of HHS. Twenty-nine States plus the District of Columbia have requested that they or a contractor they designate run the program. The details of the program may vary depending on what State you live in.

How do people apply?

In a State where the Pre-Existing Condition Insurance Plan is run by HHS, just log on to www.HealthCare.gov to be linked to the application.

- A completed and signed application form; and
- A copy of a letter dated within 6-months of your application from an insurance company or health plan showing that you have been completely denied individual coverage because of a pre-existing condition, or that you were offered coverage but were denied certain benefits (for example, by a rider to an insurance policy) because of a pre-existing condition.

If the State is running its own Pre-Existing Condition Insurance Plan, www.HealthCare.gov will help connect people to information about how and where to apply in the State.

When will people begin receiving coverage?

In a State where HHS is running the program, individuals can apply and enroll starting July 1, 2010. Coverage will begin August 1 if an individual applies and is approved for enrollment by July 15th. Generally, a completed application received **on or before** the 15th of the month will go into effect on the first day of the next month. A completed application received **after** the 15th of the month will go into effect on the first day of the following month.

States running their own Pre-Existing Condition Insurance Plans will be ready on a rolling basis. Eight States will begin enrolling on July 1, and the remaining will begin enrolling sometime in July or August

The map at www.HealthCare.gov will also provide the most up-to-date information about States.

What benefits are provided?

Both the HHS and State administered PCIPs will cover a broad range of health benefits, including primary and specialty care, hospital care, and prescription drugs. All covered benefits are available, even to treat a pre-existing condition. Annual out-of-pocket limits apply.

What will the premiums be?

Premiums will vary depending on the State, but in both the HHS and State administered plans, individuals will pay State-specific premiums equal to the standard market rate for their State. Essentially, individuals enrolled in PCIP will pay the same premiums as healthy individuals in their State.

Premiums must be set so that they:

- Equal 100% of the standard rate in the State
- Do not vary by age by more than 4 to 1. In States which allow premiums to vary by age by less than 4 to 1, the State limit will apply.

The standard rate is generally the average rate charged by the leading insurers in a State.

Premiums will vary depending on State-specific health care costs. As an example, in a State where the U.S. Department of Health and Human Services provides coverage, the premium for an age 50 year old enrollee may range between \$328 and \$675 depending on State of residence.

What will out-of-pocket expenses be?

The maximum for out-of-pocket expenses in a calendar year will not be more than \$5,950 for in-network, covered benefits. Once this maximum is reached, the Pre-Existing Condition Insurance Plan will pay 100% of the allowed amount for eligible services to the end of the calendar year.

Why do some States start later than others?

HHS is sensitive to the unique needs of each State, and is working with States to ensure that they have the flexibility they need to implement the program as effectively as possible. This is the model used in successfully implementing the Children's Health Insurance Program.

**Wasn't the program supposed to start on June 21, 2010 under the Affordable Care Act?
Why is it being launched on July 1, 2010?**

July 1st is the start of many State fiscal years. Because States are an indispensable partner in creating this nationwide system of Pre-existing Condition Insurance Plans, HHS decided to launch this program to coincide with the start of many of the States' fiscal years.

Is there enough money for everyone?

The Affordable Care Act allocated \$5 billion in Federal funding for the PCIP. HHS will be working to ensure these resources are used efficiently and effectively so that as many people as possible can get insurance through this transitional program. It will do so directly and in partnership with states by closely monitoring enrollment and costs and making adjustments to benefits, premiums, and other design features to carefully spend the resources. We will also work to ensure accountability and fiscal integrity.

Some experts have estimated that roughly 200,000 people will be covered in the Pre-Existing Con – if so, this doubles the number of people in existing State high risk pools today.

What happens in 2014?

The Pre-Existing Condition Insurance Plan is a bridge to 2014, when the health insurance exchanges will offer both individuals and small businesses a competitive marketplace where they can shop for more affordable insurance based on price and quality. In addition, in 2014, denying coverage or charging higher premiums based on a pre-existing condition will be prohibited.

What States are administering plans? What States have elected to let HHS administer their plans?

21 States elected to have HHS run their plan. These States are:

1. Alabama
2. Arizona
3. Delaware
4. Florida
5. Georgia
6. Hawaii
7. Idaho
8. Indiana
9. Kentucky
10. Louisiana

11. Massachusetts
12. Minnesota
13. Mississippi
14. Nebraska
15. Nevada
16. North Dakota
17. South Carolina
18. Tennessee
19. Texas
20. Virginia
21. Wyoming

29 States plus the District of Columbia have chosen to operate their own plans directly or through a contractor. These States are:

1. Alaska
2. Arkansas
3. California
4. Colorado
5. Connecticut
6. District of Columbia
7. Illinois
8. Iowa
9. Kansas
10. Maine
11. Maryland
12. Michigan
13. Missouri
14. Montana
15. New Hampshire
16. New Jersey
17. New Mexico
18. New York
19. North Carolina
20. Ohio
21. Oklahoma
22. Oregon
23. Pennsylvania
24. Rhode Island
25. South Dakota
26. Utah
27. Vermont
28. Washington State
29. West Virginia
30. Wisconsin

Can people apply for PCIP if they have existing health coverage?

The law restricts eligibility for the program to individuals who have been uninsured for at least 6 months in order to target limited resources to those locked out of the insurance system today. If an individual has Medicare or TRICARE, for example, they shouldn't apply. If a person has job-based coverage, COBRA, or individual insurance coverage, they aren't eligible to apply unless they lose that coverage and are unable to obtain new coverage because of a preexisting condition for 6 months. If an individual has been told that they are eligible for certain other coverage, including Medicaid and the Children's Health Insurance Program, they should check out those programs first, as they may offer more generous coverage.

What health care providers are in the network?

The Pre-Existing Condition Plan will have provider networks that include a full range of services and specialists.

What if these premiums are unaffordable?

This program is designed to offset the higher costs of people with pre-existing conditions by providing similar coverage at a similar price as charged to healthy people in that State. This program is not designed to help individuals that cannot access coverage because of their low income. Individuals that have limited income and resources (assets) may be eligible for the Medicaid program in their State. If they are seeking insurance coverage for a child, they can learn more at about children's health insurance coverage in their State by visiting:

www.insurekidsnow.gov.

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